



## **EXECUTIVE BOARD OPERATIONS**

R. STAHL AG is subject to the requirements set out by the German share corporation and codetermination law, capital market regulations, and the regulations stipulated in the articles of association and the procedural rules for the Executive Board and Supervisory Board. By law, Aktiengesellschaften (corporations) in Germany must use the two-tier management system. The members of the Executive Board bear joint responsibility for running the company. The role of the Supervisory Board is to monitor and advice. The two boards work in unison in the interests of the company with the objective of keeping it in business and ensuring sustainable value creation. They are obligated to act in the interests of the shareholders and the company.

### **EXECUTIVE BOARD**

The Executive Board has sole responsibility for running the company and directs the company's business. It decides on the corporate strategy, agrees it with the Supervisory Board and implements it. When making decisions, the Executive Board takes into consideration the interests of the shareholders, employees and other stakeholders associated with the company.

The Supervisory Board has issued a catalogue of transactions of the Executive Board that require approval by the Supervisory Board (in addition to Section 7 para. 1 of the articles of association). When particular transactions require the approval of the Supervisory Board, it must be sought.

The Executive Board of R. STAHL AG consists of two members. With the approval of the Supervisory Board, the Executive Board has adopted rules of procedure that include a business allocation plan. Based on this, Dr. Mathias Hallmann is responsible for the corporate functions Procurement, Innovations, Investor Relations & Corporate Communications, M&A, Marketing, Production, Strategy and Sales. Jürgen Linhard's responsibilities are Compliance, Controlling, Internal Auditing, IT, Human Resources,

Accounting, Legal, Risk Management, Taxes and Treasury. If more than one board member is appointed, they coordinate closely with each other in cross-departmental matters and in matters of particular importance.

The Executive Board regularly and timely informs the Supervisory Board about actual business developments, the asset, financial and earnings position of the company as well as the risk situation and compliance. In addition, the Executive Board broadly reports general aspects of strategy and corporate planning to the Supervisory Board. The chairman of the Supervisory Board decides whether the Executive Board members should participate in the Supervisory Board meetings. Each Supervisory Board meeting includes a slot intended for topics to be discussed without the Executive Board being present. In 2019, the Executive Board participated in five regular Supervisory Board meetings, reported on the individual agenda items and draft resolutions both in written and verbal communication, and answered the questions posed by individual Supervisory Board members. The Executive Board did not participate in an extraordinary meeting of the Supervisory Board.

## **SUPERVISORY BOARD**

R. STAHL AG's Supervisory Board is formed in accordance with Germany's One-Third Participation Act (DrittelbG) and consists of nine members (thereof eight positions filled currently). Three of these members are employee representatives, and the other six (thereof five positions filled currently) are shareholder representatives. Three shareholder representatives come from the family that founded the company.

The role of the Supervisory Board at R. STAHL AG is to appoint the company's Executive Board, monitor it as it conducts the company's business and advise it as needed.

The Supervisory Board meets at least five times a year to discuss current position, generally on the basis of reports drawn up by the Executive Board and preparatory documentation received before the meeting. It then passes the necessary resolutions. In 2019, the Supervisory Board held six meetings. If necessary, the Supervisory Board holds additional or extraordinary meetings. Resolutions are passed by written consent in lieu of a meeting relatively rarely, and only in particularly urgent cases. Minutes are recorded for each meeting. These are distributed to all members of the Supervisory Board, as well as the company's Executive Board (only if its members have attended). A written memorandum is made for resolutions passed by written consent.

Alongside the ongoing discussion of strategic matters, the Supervisory Board decides whether to approve the annual accounts and checks the plan for the next three years submitted to it by the Executive Board. Additionally, the Supervisory Board analyses the R. STAHL Group's operational performance, as well as attending to risk management and compliance issues.

Through face-to-face meetings as well as oral and written communication, the Executive Board regularly informs the chairman of the Supervisory Board of the company's performance and discusses any current position with the chairman. Where necessary, at the committee meeting, the chairman of the Supervisory Board reports about the results of the topics addressed in these discussions.

Every year, the chairman of the Supervisory Board must explain the role and activities of the Supervisory Board and its committees in his report to the shareholders, which is included in the annual report. In addition, it must be available for inspection at the AGM and will be read aloud on request.

In fiscal year 2018, the Supervisory Board continued to refer to the recommendations set out in the German Corporate Governance Code (DCGK) and complied with these where this seemed expedient for a company of R. STAHL AG's size for the purpose of good corporate governance. The declaration of compliance issued in December 2019 is available to shareholders on the R. STAHL AG website and in the annual report. The Supervisory Board comprises what it considers to be a sufficient number of independent members.

## **SUPERVISORY BOARD COMMITTEES**

The Supervisory Board has set up three committees: The Audit Committee, the Management Committee and the Strategy Committee.

Since 30 August 2018, the Audit Committee consists of Chairwoman Dr. Renate Neumann-Schäfer, her deputy Peter Leischner, and members Heinz Grund and Andreas Müller. In accordance with the procedural rules, the Audit Committee is tasked with and has authorization for dealing with matters concerning, in particular, accounting, risk management, compliance, the requirement for the auditor to be independent, commissioning an auditor for the audit, establishing focal points for the audit and agreeing a fee. It prepares decisions on these issues on behalf of the Supervisory Board and provides recommendations for consideration when resolutions are being passed. Finally, in behalf of the Supervisory Board, it is within the Audit Committee's responsibility to approve the assignment of counseling services of the auditor that was elected by the AGM (transactions of the Executive Board requiring approval). The chairwoman of the Audit Committee presides over Audit Committee meetings. If an issue is put to the

vote and the result is a tied vote, the chairwoman has the deciding vote. The Audit Committee met four times in 2019.

Since August 30 2018, the Management Committee consists of Chairman Peter Leischner, his deputy Heike Dannenbauer, and members Klaus Erker and Rudolf Meier. In accordance with the procedural rules, the Management Committee provides recommendations for initial or renewed appointments as well as dismissals of members of the Executive Board and the Chairman of the Executive Board to the Supervisory Board plenary session. In addition, it prepares the decisions with regard to remuneration for the Supervisory Board plenary session and proposes appropriate remuneration packages for each of the members of the Executive Board. In line with the resolutions passed by the Supervisory Board plenary session, the Committee also negotiates and decides on all contractual matters of the members of the Executive Board and signs contracts with them on behalf of the Supervisory Board. Finally, and on behalf of the Supervisory Board, the Management Committee is responsible for the approval of transactions with members of the Executive Board and the Supervisory Board and their related individuals if the transaction value exceeds €5,000.00 (transaction of the Executive Board requiring approval). The Chairman of the Management Committee presides over the Management Committee meetings. If an issue is put to vote and the result is a tied vote, the Chairman has the deciding vote. In 2019, the Management Committee held eight meetings and additionally met several times in the course of the arrangement of matters related to the Executive Board.

Following the election of the shareholder representatives of the Supervisory Board in the AGM 2018, the Strategy Committee was not reappointed again. Matters related to the corporate strategy are dealt within the Supervisory Board as a whole. The Strategy Committee should only be reappointed if there are specific tasks that the Supervisory Board delegates to it.

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